

## Exercise 2 The rise or fall in labour



Look at the list of changes below that might affect labour market outcomes. In each case indicate whether you think it will cause the demand for labour to rise or fall, or the supply of labour to rise or fall, and whether the market wage for each occupation will tend to rise or fall as a result.

What has changed?	Impact on labour demand?	Impact on labour supply?	Impact on market wage?
1 Nurses are offered new contracts with shorter working weeks			
2 Consumer spending on flat-screen televisions increases significantly			
3 Government raises retirement age of public sector workers			
4 Overtime payments for airline employees to be scrapped			
5 Computerized assembly lines boosts labour productivity in car plants			
6 Major retail chain announces it will remain open 24 hours each day			
7 Assaults on police increase			
8 Government announces it will tax tips received by restaurant and hotel staff from next April			
9 Survey finds more people are working part-time and flexible hours			
10 Statutory maternity leave and pay to be increased			
11 New technology means more office workers can now work from home			

## Section 3

## Why do people earn different amounts?

### Wage differentials

Differences in wages between different jobs are called **wage differentials**. For example, a doctor may earn over \$100 000 per year while a farm labourer in the same country may earn less than \$10 000. Differences in the wages and earnings of workers are common in all countries. For example, the average earnings of full-time male employees in the UK were £487 per week in April 2006, and £387 for women. The top 10 per cent of the distribution of earnings in the UK earned more than £886 per week, while the bottom 10 per cent earned less than £244. Wages can also vary significantly between countries, even for the same job (see Chapter 19).